

diffusetap
Virtual Event Series

Giant Returns in Gaming

Guest Speakers:



Mike Vorhaus
CEO
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Santiago Jaramillo
Chief Product Officer
GameOn

Hosts:



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DiffuseTap: Giant Returns in Gaming

Last time on DiffuseTap, Mike Vorhaus, CEO of Vorhaus Advisors, and Santiago Jaramillo, Chief Product Officer of GameOn, talked to us about golden investment opportunities in gaming, recent developments in the industry, and how NFTs and gaming are slowly proving to be a match made in heaven.

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DiffuseTap

This networking session is part of our weekly virtual events series. Networking (you'll bump into at least a dozen high caliber fund managers) meets purposeful (you'll tap into brand-new sources of ideas) ... straight from your armchair like a boss.

Meet the Speakers



MIKE VORHAUS founded [Vorhaus Advisors](#), bringing with him his digital media and gaming expertise and deep connections in tech and entertainment. With over 25 years at [Magid](#), Mike built a consulting and research practice in the new media, connected TV/OTT, and digital entertainment spaces like gaming, live streaming, and social networks. LinkedIn: [@michaelvorhaus](#)



SANTIAGO JARAMILLO is chief product officer of the fan engagement platform [GameOn](#). He created [NBA Top Shot](#), a first-of-its kind NFT collectible and marketplace anchored in blockchain and has over 12 years in product design and creative direction in AAA gaming and startups, including his work on EA Sports' popular FIFA franchise. LinkedIn: [@santiago-jaramillo](#)

About Diffuse

We are an alternative fund platform offering differentiated investment products. From digital assets to VC funds and beyond, we identify green field investment opportunities we feel will have market beating returns and turn them into professionally managed funds. For more information, visit www.diffusefunds.com.



KENNY ESTES: Today we're joined by Mike Vorhaus and Santiago Jaramillo. Mike, do you want to take it away first?

MIKE VORHAUS: Yes, thanks for having me. I spent a bunch of years doing politics, where I did some advanced work for a couple of White Houses and whatnot. I got into university fundraising for 20 years. Around 25 to 28 years ago, I went to work for Magid and ran their internet and consumer research area, including gaming. I went out on my own about three years ago. I've spent a bunch of time with some super successful early stage companies like Overwolf, Skillz, DraftKings, and others, and I've been very interested in a lot of the emerging new spaces related to gaming. Glad to be here.

KENNY: That's great. Thank you very much for coming. And Santiago. Do you want to briefly introduce yourself too?

SANTIAGO JARAMILLO: Sure. Thanks for having me. I am the chief product officer of GameOn. It's a startup that focuses on gamification technologies for business partners and IP holders. My primary background is in video games. I was at Electronic Arts as a creative director and the producer for the FIFA franchise for over 10 years. I also made mobile games with Scopely in L.A. Maybe I'm here because after EA, I joined Dapper Labs as the head of sports and came up with the concept for NBA Top Shot and the designs for that NFT product, which exploded earlier this year. That was my initiation into the NFT world, and the intersection of sports entertainment and gaming. Since then, I've stayed fairly active in the space.

KENNY: So I guess the first question is for you, Santiago. It's an open-ended question. How has gaming changed since the Gameboy? I came up with consoles and things like that. What are the recent developments that you're seeing? What are you really excited about both in GameOn and the larger industry? It's changing fast right now.

SANTIAGO: There is so much that that has changed. I think there's many ways of answering that question. It's been a long way. To stay brief, back in the 90s to early 2000s, the evolution was all about improving the AAA quality, especially in the U.S. It was all about creating more powerful consoles, better graphics, more immersive worlds, and so on. And with the rise of mobile gaming, what we've seen is an abstraction of what gameplay even means, and making things more social, and more hyper casual.

In fact, casual and hyper casual are the fastest growing segments within mobile, and mobile is the fastest growing segment in gaming. It shows you where things are shifted. And the reason why some of that applies to NFTs, and other stuff that we will discuss later, is that the abstraction of gameplay is a really important thing. If we were talking about video games 15 years ago, the description of the game would almost always lead to, you're kicking a ball, you're shooting a gun, you're jumping, or otherwise doing something that is very traditional in that sense. Now, gameplay can mean swiping your finger on your screen playing Fruit Ninja, or creating puzzles on Candy Crush, and so on. Gameplay has abstracted itself



to something much more fluid, and the game is all the layers that you add on top of that. I think that is one big factor in terms of the evolution.

We could talk about the other big one, which is VR and stuff like that. But I think those keep having these failures to launch in many ways. So, I think the creator economy is the other big part. It's the relationship between publishers and the players, especially with things like NFTs and decentralized marketplaces. It's going to continue to change, where the publisher is not just selling something to players, but they're creating experiences and ecosystems where players can come and also be creators, and capture some of the value that they themselves are participating in. I think that that is one of the biggest new waves that we're seeing now, and NFTs are a big part of that.

KENNY: That's great. Mike, over to you. Same question. Over the last 5 to 10 years or so, what are the major developments that the audience might not be privy to in this space?

MIKE: I totally agree with regards to the creator economy. I was with somebody recently here in Israel, and they were described as an influencer. And so, we got into this discussion of what is a creator, and what is an influencer. I think the whole point here is, no matter what it is — a book, a piece of art, or a digital representation — we now have the tools to create these things. We can make games, we can make art, we can make videos, and it's not expensive. People's tastes ended up being a lot broader than maybe all these failed TV executives knew.

And so, I say we're going to have a class of people equivalent to real estate brokers, or other similar professionals. Maybe it won't be that broad, but I don't think we have the slightest idea how big and how much money there is in this. Think about the Fuller Brush salesman. I mean, he has so many other guys working for him, and they made money. The point is, the creation tools have unlocked business models. And the fact that everybody is (well, maybe not everybody. I'm not sure I am) a creator, it's amazing.

We see it on the talent shows on TV. There are hundreds of thousands of people with all these talents. And I just think the entertainment world is going to have 10 times more content in five years, and thousands more content in 10 years. A lot of people are going to make some fold change, and a lot of people are going to make some really good money. It will turn the entire big hits, big budget, big screen somewhat irrelevant. It will all just blow away, I think.

KENNY: That's great. Let's transition that and go to you, Mike, for the question here about NFTs. First off, maybe for those who aren't familiar with it, what are NFTs? And how do they factor into what's going on in this space right now?

MIKE: Santiago might do a better job than me on that definition. I've done some work in this area, but maybe not as much as other people. NFTs are non-fungible tokens. Everybody on the phone probably knows that. The idea is that it's an ownership tag, it's a transaction record, and it's in this large public (usually, but not always) blockchain, which has thousands of computers keeping tons of records. And you



get to have the wisdom of the crowd, if you will, to change it, or alter it, or sell it, or say if it's immutable and that it's private. For instance, there are [food companies using NFTs](#) to mark pieces of food, where they could track it if there's a problem.

I think we all know about the entertainment applications of NFTs, which have been all over the place. People are also using the blockchain to register land and tying NFTs to it. Strauss Zelnick did it. The CEO and chairman of [Take-Two](#) did an interview with me for [GamesBeat](#) a week ago, and he not only drew a really mediocre palm tree, but somebody on the staff actually put it up and sold it as an NFT.

My gut tells me it's not a [greater fool theory](#). I think there will probably be some fools losing some money here and there, but I think you think you can definitely get 10,000 bucks for a top shot you purchase right now. You might not get that 10,000 bucks in a year, but I bet you in five years, you could get 100,000 bucks for it. It's ownership and collection, which is basically what people like to do.

KENNY: Santiago, with your experience at Dapper, do you want to add on that and how NFTs play into this space?

SANTIAGO: Yeah. That's a really good summary. I think everyone here knows the definition of NFTs. If I zoom out, I think what NFTs are doing is, they are changing our relationship to digital goods. The way we used to relate to digital goods is, you would say something like "I own this Fortnite skin." That is going to change because now, we understand that you actually don't own it.

The idea of ownership is now being challenged by what NFTs actually allow you to do. True ownership, verified scarcity on the blockchain, and all these types of things have come into the picture. That is something that gets overlooked a bit, but I think will become more and more of a thing.

If we look at the first wave of NFTs, it was all about true ownership. Like I said, it challenged our idea of what it means to own a digital asset. The [second wave](#) is going to be all about utility. What can I do with this NFT? What doors does it unlock? What can I play with this NFT? And I think a side point that's going to come out of that is going to be exploring more of the [programmability of NFTs](#). I think not enough people talk about NFTs as something that can actually be programmed. It has properties that depending on what you do with it, the NFT can change. The NFT can do something else.

That's why it can be applied to contracts, and in real life. Because of the headlines, we usually look at NFTs just as a piece of art, or just as a collectible from NBA Top Shot. But I think that's going to evolve. NFTs are going to become much more complex in how they get programmed. And because of that, they're going to enable experiences that right now we can't even really imagine.

There are certain products out there like NBA Top Shot, for example, where the production quality is very high. It then creates this perception that the space is very mature, and that it has been here for a long time. But actually, it's really a mirage because [the space is so early](#). The developer tools are still so early. The UX of buying crypto and going in [OpenSea](#) is still nowhere near what a traditional video game is, in terms of onboarding and ease of use.



And so, despite some of these high-quality products, and despite some of these numbers, it's still like being in the 56k modem era of the Internet. At that point, we couldn't have imagined streaming a movie online, but obviously now it's possible. And so, I think we should not let ourselves get carried away by these ups and downs of the market with crypto prices. Some products may look very raw, while some products may look very high quality. But ultimately, I think we are very early. And the fact that there's some high production products out there gives me a lot of confidence in this space moving forward.

KENNY: That's great. Love it. We have a question from Brent, and I'll give it to you, Santiago, because it picks up on one of the threads you just mentioned. The question is about gamification as it pertains to education. Is that one of the things that you see happening in the future of NFTs, or is that a separate concept? Do you have any kind of thesis there?

SANTIAGO: I'm sure there's a way to tie that to NFTs, but I would love to give an answer that leans more on gamification, because I am very bullish about gamification. That's actually what my current company does. I feel like you can gamify the world. The reason why I'm bullish on it, first of all, is that you can have bad applications of gamification, or you can have good ones. You can have good and bad of anything. This is not just about gamification. The problem with that is you're going to have good products and bad products. And if you look at the bad products, then you're going to reach a different conclusion.

Going back to my previous point about the obstruction of gameplay, let's talk about my meditation app for example, which is one of the most popular in the world. Why does it have a streaks counter? Why is it that every time I finish my meditation, it gives me a new checkmark so that it compels me to go the next day, even if all I want to do is meditate in 10 minutes of silence? Why do I still open it up to turn on the timer, even though I could just as easily use a timer on my iPhone? The reason I do it is because that streak mechanism is a very proven mechanism from video games. And if you adapt it to other things, even outside of video games, it taps into specific psychological hooks that we have, or emotional connections that we have.

You can think about that in terms of streaks, or you can look at video games in general. Whether it's the most hardcore, immersive AAA game like Red Dead Redemption or Uncharted, why is it that they share some of the same elements as the most hypercasual mobile games, in terms of completing quests or an inventory, or collecting items and these kinds of things? That's because these things appeal to a more primary motivation that we have.

To answer your question, I don't know exactly what the application or the incarnation of this would be when it comes to education. But I'm very convinced that there are these levers that we have as humans, in any area of life, that you can pull with the right mechanics to make it more successful.

Sometimes I actually dream about doing that for just life, in general, where there could be a leader of who's recycling the most in your city, or where if you reduce the number of miles that you drive, you get some reward that unlocks some fancy dinner at a restaurant in your city. Things like that. At the end of the day, we're seeking status, recognition, and validation. These things can be incentivized by these types of mechanics. So, I do believe that gamification plays a role outside of games.



KENNY: Love it. Mike, same question to you. More broadly, where do you see gamification applying to the real world, and the bleed between it? And if you can talk about how it pertains to NFTs as well, that would be really interesting.

MIKE: Presumably, the rollout of gamification is all about record keeping, so I think I would rather just speak to gamification in non-gaming situations. It is amazing to me how many times people haven't either made them meaningful or fun. I think if you just do those two things, it can apply to almost anything. And as people get older, they lose interest in this gamified approach. I mean, I'm 63. I'm not opposed to the idea, but my 95-year-old mother would think it's silly. Certainly a 12-year-old wouldn't think it's silly.

I'm hearing about things like in Israel, for example. They have a local taxi online service called Cett. Every now and then the app is like, you won this, or you won that. All that is, is cosmetics. I remember once, it said, "you get one of the top 1,000 drivers". And I feel like, no, I just want the driver that's closest to my hotel. But that's just one of the worst examples.

There's an example I love. I will not get deep into it because the guy's got a really good idea, but I'll just say that somebody has built this make-believe world. You live in that game world, and you learn about things that are not so much facts, but more like "how to use" facts. It goes back to this education thing. Every step of the way, when you have good teamwork, you earn some points and you advance your skills. That's meaningful, and companies are paying for this.

The point is, isn't the world gamified anyway? I basically agree with everything Santiago said. And by the way, I was right. He did a much better job explaining NFTs than I did.



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Corporate Director, CME Group

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VP/Global Head of Tax, Binance.US

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